

BELLSOUTH TELECOMMUNICATIONS, INC.

DESCRIPTION AND JUSTIFICATION

Transmittal No. 704

1. Introduction

This filing is being made in accordance with Sections 61.38 and 61.58 of the Commission's Rules and in compliance with the *USF Interim Methodology Order*¹ modifying the existing federal universal service contribution and assessment mechanism, and the *USF Waiver Order*² addressing the petitions for waiver and several petitions for reconsideration of the rules adopted in the *USF Interim Methodology Order*. This filing contains the rate revisions resulting from the implementation of these Orders and the release of the Second Quarter 2003 Universal Service Contribution Factor. Accordingly, as described herein, BellSouth is adjusting certain rates in its Access Services Tariff, F.C.C. No. 1. This filing is scheduled to become effective on April 1, 2003.

2. Federal Universal Service Fund Methodology Modifications

On December 13, 2002, the Commission released its *USF Interim Methodology Order*. The Order modified the existing revenue-based methodology to require universal service contributions based on a percentage of projected collected, instead of historical gross-billed,

¹ In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Report and Order and Second Further Notice of Proposed Rulemaking, FCC 02-329, released December 13, 2002 (*USF Interim Methodology Order*).

² In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Order and Second Order on Reconsideration, FCC 03-58, released March 14, 2003 (*USF Waiver Order*).

interstate and international end-user telecommunications revenues reported by contributors on a quarterly basis.³ In addition, the Order concluded that telecommunications carriers may not mark-up universal service line-item amounts above the relevant contribution factor beginning April 1, 2003.⁴

3. Second Quarter 2003 Universal Service Contribution Factor

On March 7, 2003, the FCC released a Public Notice that provided the proposed Universal Service Contribution Factor for the Second Quarter of 2003.⁵ Beginning with the Second Quarter 2003, the Commission calculates the quarterly contribution factor based on the ratio of total projected quarterly costs of the universal service support mechanisms to contributors' total projected collected end-user interstate and international telecommunications revenues, net of projected contributions. The proposed contribution factor for the Second Quarter 2003 is 0.090044.⁶

4. Calculation of Monthly Federal Universal Service Charges

BellSouth recovers its federal universal service contributions through per-line item monthly charges that are assessed to all end user customers, with the exception of End User Special Access customers. Contributions for End User Special Access customers are recovered by

³ *USF Interim Methodology Order* at ¶ 19.

⁴ *Id.* at ¶ 45.

⁵ In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Public Notice, DA 03-689, released March 7, 2003.

⁶ In the USF Waiver Order, the Commission granted a petition for reconsideration filed by AT&T requesting that the universal service factor be rounded to the nearest tenth of a percent. BellSouth has incorporated this change into the calculation of its Monthly Federal Universal Service Charges discussed in Section 4 below. See *USF Waiver Order* at ¶¶ 22-23.

applying a surcharge equal to the Second Quarter 2003 Universal Service Contribution Factor of 0.091 to the end user customer's monthly, billing account level, Special Access service charges. The surcharge is described in BellSouth's Access Services Tariff, F.C.C. No.1, Section 4.6(P).

As directed by the Commission in the *USF Interim Methodology Order*,⁷ BellSouth's Monthly Federal Universal Service Charges for Primary Residence, Single Line Business, Additional Residence Line, and Basic Rate ISDN are calculated by applying the Second Quarter 2003 Contribution Factor of 0.091 to the sum of the charges representing the interstate portion of the customer's bill. These charges include the applicable End User Common Line (EUCL) Charge and Local Number Portability (LNP) Charge. The calculations are shown on Appendix A, Exhibit 1, Page 1 of 2.

On March 14, 2003, the Commission released its *USF Waiver Order* granting an interim waiver to enable ILECs to recover their universal service contributions from Centrex customers using an "equivalency ratio" as provided in Sections 69.131, 69.153(e) and 69.158 of the Commission's Rules.⁸ Based on the interim waiver, BellSouth's Monthly Federal Universal Service Charges for Centrex, Multi-Line Business, and Primary Rate ISDN are initially calculated by applying the Second Quarter 2003 Contribution Factor of 0.091 to the sum of the charges representing the interstate portion of the customer's bill in the same manner described above. For Multi-line Business and Primary Rate ISDN, the Monthly Federal Universal Service Charges are calculated first by determining the difference, on a per-line basis, between assessing Centrex lines based on

⁷ *USF Interim Methodology Order* at ¶ 51.

⁸ *USF Waiver Order* at ¶ 3.

the equivalency ratio permitted under Sections 69.158 and 69.153(e) of the Commission's Rules and applying the remaining USF recovery across Multi-line Business and PRI ISDN lines on an averaged basis. Once the difference is determined, a one-ninth portion is allocated back to Centrex and the remainder, which is the portion allocated to Mutli-line Business and PRI ISDN, is then added to the initial Multi-line Business Monthly Federal Universal Service Charge to calculate that charge. The Primary Rate ISDN Monthly Federal Universal Service Charge is calculated by multiplying the Multi-line Business Monthly Federal Universal Charge by 5. For Centrex, the Monthly Federal Universal Service Charge is calculated by applying the one-ninth equivalency ratio and then adding the portion allocated back to Centrex described above. These calculations are shown on Appendix A, Exhibit 1, Page 2 of 2.

5. Rate Revisions

Based on the changes described above, BellSouth's Monthly Federal Universal Service Charges are being revised as follows:

The Primary Residence/Single Line Business rates increase from \$0.53 to \$0.58.

The Additional Residence rate increases from \$0.53 to \$0.67.

The Basic Rate ISDN rate increases from \$0.53 to \$0.67.

The Centrex rate increases from \$0.06 to \$0.10.

The Multi-line Business rate increases from \$0.53 to \$0.93.

The Primary Rate ISDN rate increases from \$2.65 to \$4.65.

The Federal Universal Service Surcharge factor applied to End User Special Access interstate billing increases from 0.072805 to 0.091.